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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 HA-05 AID-05 PM-05 NSC-05
SP-02 L-03 H-01 CIAE-00 INR-10 NSAE-00 DODE-00
EB-08 OMB-01 TRSE-00 OES-09 HEW-04 AGRE-00 /088 W
----------110986 280057Z /64
P 272359Z JUL 78
FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC PRIORITY 1861

C O N F I D E N T I A L LA PAZ 5974

EO 11652: GDS
TAGS: PGOV, BL
SUBJECT: U.S. STANCE VIS-A-VIS PEREDA'S GOVERNMENT--ASSISTANCE

REF: (A) STATE 188170, (B) LA PAZ 5819, (C) LA PAZ 5803

1. WHILE I AM IN GENERAL AGREEMENT WITH STANCE OF REFTEL A, I DO BELIEVE, AS INDICATED IN REFTEL B, THAT WE NEED TO MAINTAIN OUR FREEDOM OF ACTION FOR A WEEK TO TEN DAYS SO THAT WE CAN REACT ADE-QUATELY TO WHATEVER PEREDA DOES. REFTEL A APPEARS TO ELIMINATE TWO DEGREES OF FREEDOM WE MAY STILL NEED.

A. FMS CREDIT OF $14 MILLION. I CAN FORESEE NO CIRCUMSTANCES IN WHICH WE SHOULD APPROVE THE $8 MILLION REQUESTED FOR AIR FORCE ENGINES, SPARES, ETC. THIS AMOUNT CAN BE IMMEDIATELLY REPROGRAMMED FOR ANOTHER COUNTRY. DEPENDING ON WHAT THE MILITARY GOVERNMENT NOW DOES, IT IS STILL POSSIBLE THAT WE MAY WANT TO APPROVE A REDUCED CREDIT OF $6 MILLION FOR THE MILITARY HOSPITAL ONLY. CAN WE NOT HOLD THIS QUESTION OPEN FOR SEVEN TO 10 DAYS?

B. AID LOANS. AGAIN, WHILE I CAN FORESEE NO CIRCUMSTANCES UNDER WHICH WE WOULD GO FORWARD WITH ALL THREE OF THE FY 78 LOANS WE WERE CONTEMPLATING, IT IS POSSIBLE WE MAY WISH TO GO FORWARD WITH TWO. ON BHN GROUNDS THE TWO MOST DESIRABLE ARE LOANS U-063, RURAL HEALTH, AND T-062, VILLAGE DEVELOPMENT. YET REFTEL A PROPOSES TO
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DISCARD THE RURAL HEALTH LOAN NOW AND CONFINE OUR FURTHER CONSI-DERATION TO TWO AGRICULTURAL LOANS (T-061, RURAL ROADS AND T-062, VILLAGE DEVELOPMENT). I REALIZE THERE IS A PROBLEM OF TWO DIFFE-RENT AID ACCOUNTS, HEALTH AND FOOD/NUITRITION; BUT CAN WE NOT HOLD OPEN THE POSSIBILITY OF A HEALTH LOAN FOR SEVEN TO TEN DAYS MORE?

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2. OUR POLITICAL ASSESSMENT WILL HAVE TO AWAIT PEREDA'S DEFINITION OF HIS POSITION ON QUESTIONS OF INTEREST TO US--WHICH WE EXPECT BY AUGUST 6. OUR VIEWS ON THE BHN CHARACTER OF THREE AID LOANS FOLLOW.

3. I HAVE REVIEWED WITH USAID THE THREE PENDING AID LOANS AND BELIEVE THAT TWO OF THESE--VILLAGE DEVELOPMENT (T-062) AND RURAL HEALTH DELIVERY SYSTEM (U-062)--CLEARLY ADDRESS BASIC HUMAN NEEDS OF AND DIRECTLY BENEFIT THE RURAL POOR IN BOLIVIA.

(A) THE VILLAGE DEVELOPMENT PROGRAM WILL FINANCE SMALL-SCALE COMMUNITY FACILITIES AND ECONOMIC INFRASTRUCTURE SUB-PROJECTS (INCLUDING HEALTH POSTS, POTABLE WATER AND ENVIRONMENTAL SANITATION FACILITIES, SCHOOLS AND SMMLL-SCALE IRRIGATION AND RIVER DEFENSE SYSTEMS) IN RURAL COMMUNITIES WITH LESS THAN 3,000 INHABITANTS, MOSTLY IN THE ISOLATED BORDER PROVINCES OF THE COUNTRY. RESIDENTS OF THESE VILLAGES ARE POOR BY ANY MEASURE AND THE SUB-PROJECTS TO BE FINANCED RESPOND TO THE BASIC SOCIAL AND ECONOMIC NEEDS OF THESE RURAL POOR. EVIDENCE OF THE RESPONSE OF THIS PROJECT TO BHN IS THAT THESE POOR COMMUNITIES WILL MAKE A SIGNIFICANT (40 PERCENT OR HIGHER) CONTRIBUTION TO THE COST OF EACH SUB-PROJECT, A FACTOR WHICH INDICATES THAT THE SUB-PROJECT RESPONDS TO A REAL PERCEIVED NEED OF THESE VILLAGES. IN ADDITION, SUB-PROJECT SELECTION CRITERIA AND MAXIMUM SUB-PROJECT SIZE LIMITS AND PRE-BENEFICIARY COSTS ARE INCLUDED IN THE PROJECT TO ASSURE THAT THE LOAN FUNDS MEET THESE STATED
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PURPOSES.

(B) THE RURAL HEALTH DELIVERY SYSTEM PROJECT RESPONDS TO THE BASIC NEED FOR IMPROVED HEALTH AND ENVIRONMENTAL SANITATION SERVICES IN RURAL AREAS OF THREE DEPARTMENTS. THE PROJECT RESPONDS TO THE EXTREMELY POOR HEALTH STATUS WHICH PRESENTLY CHARACTERIZES RURAL BOLIVIA, INCLUDING EXCESSIBLY HIGH INFANT AND MATERNAL MORTALITY AND MORBIDITY RATES. THE PROJECT PROVIDES FOR A LONG-RANGE PROGRAM OF EXTENDING HEALTH SERVICES--PARTICULARLY PREVENTIVE SERVICES--DIRECTLY TO RURAL INHABITANTS AND FOR INSTITUTIONALIZING THIS APPROACH WITHIN THE MINISTRY OF HEALTH.

(C) WITH RESPECT TO THE RURAL ROADS II (T-061) LOAN, MY VIEW IS THAT WHILE THIS PROJECT IS DESIGNED CONSISTENT WITH THE AID CONGRESSIONAL MADATE AND WILL BENEFIT THE RURAL POOR IN THREE DEPARTMENTS BY PROVIDING MARKET ACCESS TO SMALL FARMERS THROUGH THE CONSTRUCTION OF RURAL FARM-TO-MARKET ROADS, THE NATURE OF THE BENEFITS TO THE RURAL POOR ARE NOT SUFFICIENTLY DIRECT TO WARRANT PROCEEDING WITH THE PROJECT IF WE ARE REDUCED TO A DECISION EXCLUSIVELY ON THE BASIS OF BHN CRITERIA.

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4. REGARDING PARA 4C OF REFTEL, PROJECT AGREEMENTS WERE SIGNED WITH THE BANZER GOVERNMENT FOR THE FARM POLICY STUDY GRANT AND THE PRODUCTIVE CREDIT GUARANTY PROGRAM. FIELD ACTIVITIES HAVE ALREADY BEGUN UNDER THE FORMER AND THE LATTER INVOLVES NO IMMEDIATE DIRECT FUNDING BY AID. THEREFORE, I SUGGEST THE IMPLEMENTATION OF THESE PROJECT BE ALLOWED TO PROCEED.

5. FINALLY, WHILE RECOMMENDATIONS MUST AWAIT PEREDA'S ACTION, I WOULD NOT GO TOO FAR IN CONSIDERING CANCELLATION OF IMET-SPONSORED TRAINING. MORE LIKELY THAN NOT, CANCELLATION WILL PROVE A BAD IDEA.
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